

## EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES

### PAPER – 4 : DIRECT TAX LAWS & INTERNATIONAL TAXATION

#### Specific Comments

**Question 2.(a)(i)** The cost of a residential plot is eligible for exemption under section 54 clarified by the CBDT *vide* Circular No.667 dated 18.10.1993. However, most examinees did not consider this when calculating the exemption, leading to an incorrect determination of the long-term capital gains amount.

**(ii)** Examinees depicted lack of knowledge of the provisions of deemed dividend u/s 2(22)(e). The provisions of section 2(22)(e) are attracted *inter alia* where the shareholders have 10% voting rights. However, many examinees had not specified this condition.

**(b)** Dividend received on GDR of an India company is given net of TDS. However, many examinees could not correctly determine the gross amount of dividend by applying the correct rate of TDS, which results into wrong computation of total income of Miles Inc., a foreign company.

**Question 3.(b)** The question requires computing the total income and tax liability of Mr. Kumar Saurav under the default tax regime as per section 115BAC. Although deductions under Chapter VI-A are not available under this regime, some examinees incorrectly applied the deduction under section 80QQB, resulting in errors in the computation of total income, relief under section 91, and net tax liability.

**Question 4.(b)** Many examinees incorrectly computed the Arm's Length Price. Instead of reducing the adjustments related to ocean freight, insurance, and after-sales support services from the price charged by KB Inc. (on a CIF basis), they added these adjustments.

**Question 5.(a)** This question is based on case laws and should include the issue involved, the applicable provision, analysis, and conclusion. However, many examinees did not structure their answers in this manner and concluded without discussing the relevant provisions of the Act and analysing the relevant case laws.

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(b) Many examinees have not opted to answer this question. Even those who attempted gave vague and incomplete answers.

**Question 6.(a)** Examinees were unable to provide proper reasoning to support their answers and failed to specify purpose of Form 15CB and documents to be verified by a Chartered Accountant before certifying Form 15CB.

### PAPER – 5: INDIRECT TAX LAWS

#### Specific Comments

**Question 1.** Some examinees failed to correctly determine place of supply in case of supply of 25 Televisions. They were unaware about how to calculate value of supply in case of corporate guarantee. Instead of correctly mentioning value of supply being “higher of 1% of the amount of such guarantee offered or actual consideration,” they wrongly stated “lower of the two” and instead of 1% of amount of such guarantee or actual consideration, they wrongly considered 1% of actual consideration. Resultantly they did not get marks allocated for the said provision.

**Question 2.(a)** Most of the examinees were ignorant of the provisions that Banking company who had opted for optional method, under section 17(4) of the CGST Act, 2017, for claiming input tax credit in respect of its operations can avail every month, an amount equal to fifty per cent of the eligible input tax credit on inputs, capital goods and input services in that month and the rest shall lapse.

(c) While computing assessable value, most of the examinees committed mistake in computing correct FOB value. Resultantly, insurance charges were also incorrectly computed which led to incorrect assessable value. Moreover, majority of the examinees did not mention the correct reasoning of inclusion/exclusion of packing charges and engineering charges in the assessable value.

**Question 3.(a)** Though the conclusion part for place of supply was answered correctly, large number of examinees did not bring out the provision correctly specifically for point no (ii) and (iii) in case of supply of goods to an unregistered person over the counter (OTC). In case of supply of goods to an unregistered person over the counter (OTC), where address of such person is not recorded in the invoice, the place of supply is location of the supplier.

Further, in case of supply of goods to an unregistered person over the counter (OTC), where address of such person is recorded in the invoice (i.e. name of State of said person is recorded in invoice), the place of supply is location as per said address.

**Question 4.(a)** In the (i) part, most of the examinees did not correctly conclude that TCS to be collected is Nil as Net Value of taxable supplies is Nil.

In the (ii) part, most of the examinees were ignorant that the tax on services, by way of transportation of passengers by an omnibus provided by a company through ECO, is not payable by ECO, under section 9(5) of the CGST Act, 2017.

In the (iii) part, most of the examinees wrongly considered the transaction as inter-State and calculated TCS under IGST instead of CGST and SGST. However, in the given case ROL, being supplier side ECO is liable to collect TCS @ 0.5% under CGST and 0.5% under SGST of the net value of intra-State taxable supplies of accommodation services made through it by Raj Niwas Palace.

**(b)** Some examinees were unaware that ITC on capital goods is not eligible for refund.

**Question 5.(a)** Large number of examinees considered wrong amount of pre-deposit, incorrect number of days and wrong rate of interest resulting into incorrect computation of amount of interest.

**(b)** While answering the time period within which Mr. Sahil has to pay the compounding amount ordered by the Commissioner, most of the examinees did not explicitly mention "within 30 days from the date of the receipt of the order" but merely stated "within 30 days of order or passing of order".

**(c)** Most of the examinees were ignorant of the provisions of warehousing without warehousing and thus, ended up in writing vague answers.

**Question 6.(c)** A significant number of examinees demonstrated a lack of knowledge, as their answers were general and vague in nature, and not aligned with the specific requirements of the questions.

## PAPER – 6 : INTEGRATED BUSINESS SOLUTIONS

### Specific Comments

**Question 1.6** The performance of the examinees was above average. Majority of the examinees have answered the question in line with the requirements of Ind AS 8 on application of an 'Accounting Policy' together with the definition (s) dealt in Ind AS 16 on "Property, Plant and Equipment" and Ind AS 40 regarding "Investment Property". Nevertheless, though the examinees have covered the applicable accounting standards and arrived at the correct decision, most of the examinees have not properly analysed the situation and have discussed fully the impact of an accounting policy change.

**Question 1.7** The performance of the examinees was below average. Majority of the examinee have answered the question highlighting the circumstances where the auditor may consider it necessary to include an 'Emphasis of Matter Paragraph' and 'When to give Emphasis of Matter Paragraphs in the Auditor's Report' which are not pertinent to the answer. This had a negative impact on the performance of the examinees.

**Question 1.8** The performance of the examinees was good. Based on the inputs provided in the case study, majority of the examinees have correctly computed the 'Ranking according to Product Return Per Minute' and 'Ranking based on Throughput Accounting Ratio' and have thus, secured full marks for the answer.

**Question 2.6** The performance of the examinees was good. Majority of the examinees have correctly computed the calculation as required by each part of the question and have, thus, secured full marks for the answer.

**Question 2.7** The performance of the examinees was poor. Majority of the examinees have provided general points on 'Hedging Currency Risk' that did not fully address the question's specific requirements.

**Question 2.8** The performance of the examinees was above average. Majority of the examinees have answered correctly the provisions of the Companies Act, 2013 relating to appointment of an internal Auditor and who shall be appointed as an Internal Auditor. However, some of the examinees have not mentioned the year from which the Internal Auditor needs to be appointed.

**Question 3.6** The performance of the examinees was average. While majority of the examinees have computed correctly the evaluation of the impact of changes in variable consideration in terms of Fixed Revenue, Variable Revenue, Operating Profit, Margin and Cumulative Catch-up Adjustment as per Ind AS 115, nevertheless, some of the examinees have written the theory porting found under 'IND AS 115 'Revenue from Contracts with Customers – Estimating the amount of variable consideration' which is not the correct answer.

**Question 3.7** The performance of the examinees was below average. Most of the examinees stated their answers based on "SA 610 – Using the Work on Internal Auditors" and some examinees have also addressed "Determining the Need for an Auditor's Expert" neither of which were relevant answers to the question. This had a negative impact on the performance of the examinees.

**Question 3.8** The performance of the examinees was above average. Majority of the examinees have answered correctly the provisions relating to rectification order that can be passed by the ITAT under Section 254 of the Income Tax Act, 1961. However, some of the examinees have not answered correctly the circumstances where the ITAT has power to pass rectification order after 6 months.

**Question 4.6** The performance of the examinees was good. Almost majority of the examinees have correctly computed the total income chargeable to tax for the AY 2024-25 indicating the reasons for treatment of each item in line with the relevant provisions of the Income Tax Act, 1961. However, some examinees did not write the reasons portion correctly, resulting in scoring lower marks.

**Question 4.7** The performance of the examinees was good. The answer involved three calculations to arrive at the decision of selecting either Machine A or B considering the Present Value factor. While majority of the examinees did the correct calculations and arrived at the correct conclusion, however, some of the examinees could not correctly derive the value of Equivalent Present Value of Annual Cash Outflow.

**Question 4.8** The performance of the examinees was above average. Majority of the examinees have answered the provisions relating to restrictions on receipt of income from an activity in the nature of trade by a Charitable Institution and its consequences. However, some of the examinees

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have written the definition of the term 'Charitable Purpose', under Section 2(15) of the Income Tax Act, 1951 while some wrote on the various expenses that can be claimed which are not relevant and required by the question

**Question 5.6** The performance of the examinees was above average. Majority of the examinees have calculated the Exponential Moving Average (EMA) of Sensex during certain period and concluded on the behavior of the market. However, some of the examinees have not correctly calculated the EMA while some have incorrectly approached the problem.

**Question 5.7** The performance of the examinees was average. Majority of the examinees wrote correctly that Mano is a Non-Resident Taxable Person under the CGST Act, 2017 but, could not fully write the procedures to be followed under the CGST Act, 2017 and going forward, the status of Non-Resident under the Income Tax Act, 1961 (the Act), Taxability Tax Rate and the amount of Income Tax to be deducted under the Act. Some examinees wrote only on the income tax portion of the question and did not write on the CGST portion. This had a negative impact on the performance of the examinees.

**Question 5.8** The performance of the examinees was average. The answer to the question involved the coverage of Section 185(1) of the Companies Act, 2013, exemptions available to a Private Limited Company and analysis of the contravention by the company vis-a-vis the consequences of loan granted by the company to its director.

Majority of the examinees could not write correctly the provisions relating to Section 185 (1) of the Companies Act, 2013 (the Act) dealing with loans to directors exemption available to Private Limited Company and analysis of the case study inputs to arrive at the correct conclusion. On the contrary, most of the examinees have answered the question with reference to Section 185(2) of the Act, and concluded that there was no contravention, which is not a correct answer. Nevertheless, the penal provisions of the Act regarding the consequences of loan granted by the company to its director was answered correctly by almost majority of the examinees.